

Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 09-3617/4	Introduction Number SB-409	
Description A postsecondary education tax credit for businesses; increasing annual limits on angel investment tax credits; awarding grants to the WiSys Technology Foundation, Inc.; business plan competitions and an emerging technology center in the University of Wisconsin System; rural outsourcing grants; requiring the Department of Commerce to award grants to a high-technology business development corporation and grants for converting manufacturing facilities; increasing funding for certain economic development programs; a pilot program providing microloans for the creation of new businesses; increasing funding for certain technical college training program grants; providing an exemption from emergency rule procedures; granting rule-making authority; and making appropriations		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.143 (1) (a) </div> <div> Affected Ch. 20 Appropriations </div> </div>		
Agency/Prepared By COMM/ Julie Keal (608) 266-6748	Authorized Signature Louie Cornelius (608) 266-8629	Date 12/10/2009

Fiscal Estimate Narratives

COMM 12/10/2009

LRB Number	09-3617/4	Introduction Number	SB-409	Estimate Type	Original
Description A postsecondary education tax credit for businesses; increasing annual limits on angel investment tax credits; awarding grants to the WiSys Technology Foundation, Inc.; business plan competitions and an emerging technology center in the University of Wisconsin System; rural outsourcing grants; requiring the Department of Commerce to award grants to a high-technology business development corporation and grants for converting manufacturing facilities; increasing funding for certain economic development programs; a pilot program providing microloans for the creation of new businesses; increasing funding for certain technical college training program grants; providing an exemption from emergency rule procedures; granting rule-making authority; and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates the following new programs within the Department of Commerce:

1. Rural Outsourcing Grants. During the 2009/11 biennium, the department may award grants to businesses for outsourcing work to rural municipalities. These grants may not exceed \$500,000 and may be made from the repayments appropriations for the Wisconsin Development Fund, Minority Business Development Fund, Gaming Economic Development and Diversification, and Rural Economic Development programs. Commerce may write rules to administer this program.
2. Grant to High-technology Business Development Corporation. The department shall award \$100,000 annually to the high-technology business development corporation (Wisconsin Technology Council) to fund a grant writer to assist businesses in applying for federal small business innovation research grants. The department shall also award in FY11 \$100,000 for procuring an economic development modelling database for the use of regional economic development entities.
3. Wisconsin Development Fund -- Grants for Underutilized Manufacturing Facilities. The department shall in fiscal year 2011 award grants from the WDF not exceeding \$2 million to businesses for converting existing underutilized manufacturing facilities to the production of renewable energy or the manufacturing of equipment used in the production of renewable energy. Commerce may write rules to administer this program.
4. Technology Transfer Grant and Loan Program. Commerce may award grants and loans to research institutions to provide money for research and development activities related to the creation or retention of jobs by a business, or to improve the competitive position of a business by improving the innovativeness of the business. The amount of a grant or loan under this section may not exceed \$100,000.
5. Wisconsin Development Fund -- Targeted Microloans. Commerce shall establish a pilot program for making loans of not more than \$25,000 at nominal interest rates for the creation of new businesses. Commerce must designate two areas of the state, one rural and one urban, that are affected by high unemployment, and must make the loans only in those areas. The department may not make awards under this section after July 31, 2013. Commerce must write rules to administer this program. Commerce is appropriated \$500,000 in FY11 for this program.

The bill makes the following changes to existing programs in the Department of Commerce:

1. Angel Credit Increase. The bill increases the amount available for claiming under the angel credit to \$6.5 million in calendar year 2010 (from \$5.5 million), and to \$20 million in calendar years following 2010 (from \$18 million).
2. Early Stage Seed Investment Tax Credit Increase. The bill increases the amount available for claiming under the credit to \$8 million in calendar year 2010 (from \$6 million), and to \$20.5 million in calendar years following 2010 (from \$18.5 million).
3. Pleasant Prairie Technology Incubator Center (PPTIC). Current law requires Commerce to award a

\$70,000 grant from the Wisconsin Development Fund to the PPTIC no later than July 31, 2011. The bill requires the grant to be made within 30 days of the effective date of the bill.

4. Regulatory Ombudsman. Create 1.0 FTE position in FY11 funded at \$75,000 for the regulatory ombudsman center.

The bill makes the following funding changes:

1. Wisconsin Development Fund -- FY10. The WDF is increased by \$500,000 GPR in FY10.
2. Wisconsin Development Fund -- FY11. The WDF is increased by \$2.5 million GPR in FY11.

On a combined basis, these new responsibilities and changes to programs will require an additional 1.0 FTE for administration. This position will develop rules and policies for the programs, develop and implement statutorily required performance measures for the programs, publicize the programs, work with businesses across the state to access the programs, review applications, recommend action on applications, negotiate and enter into contracts with successful applicants, supervise draws on contracts, and work with successful applicants in reporting results. The costs of this position will be as follows.

Salary \$44,900
Fringe \$20,500
Supplies \$ 8,000

TOTAL \$73,400

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): None.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$65,400	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs	8,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$73,400	\$
B. State Costs by Source of Funds		
GPR	73,400	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$73,400	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date

COMM/ Julie Keal (608) 266-6748	Louie Cornelius (608) 266-8629	12/10/2009
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Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		Date	
		12/8/2009	

Fiscal Estimate Narratives

DOR 12/8/2009

LRB Number	09-3617/4	Introduction Number	SB-409	Estimate Type	Original
Description A postsecondary education tax credit for businesses; increasing annual limits on angel investment tax credits; awarding grants to the WiSys Technology Foundation, Inc.; business plan competitions and an emerging technology center in the University of Wisconsin System; rural outsourcing grants; requiring the Department of Commerce to award grants to a high-technology business development corporation and grants for converting manufacturing facilities; increasing funding for certain economic development programs; a pilot program providing microloans for the creation of new businesses; increasing funding for certain technical college training program grants; providing an exemption from emergency rule procedures; granting rule-making authority; and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a non-refundable post-secondary education income and franchise tax credit for businesses that pay tuition for an employee to attend a university, college, or technical college. The credit is equal to 25% of the tuition paid by a business for an employee to attend school (or 30% if the employee is enrolled in a course of instruction that relates to a projected worker shortage in this state), if the employee is enrolled in a course of instruction and is eligible for a grant from the Federal Pell Grant Program. The taxpayer claims the total amount of the tuition paid for the employee for the taxable year in which the individual graduates from the course of instruction. Unused credit amounts may be carried forward for 15 years.

Under current law, the total amount of all bona fide angel investment credits that may be claimed in a calendar year beginning after 2007 but before 2011 is \$5.5 million and the total amount that may be claimed in any calendar year beginning after 2010 is \$18 million plus an additional \$250,000 for investments in nanotechnology businesses. Under the bill, the total amount of all bona fide angel investment credits that may be claimed in 2010 is \$6.5 million and the total amount that may be claimed in a calendar year beginning after 2010 is \$20 million plus an additional \$250,000 for investments in nanotechnology businesses. The total aggregate amount of angel investment credits that may be certified for all years is \$47.5 million. Angel investment credits may only be claimed by individuals. Investments must be held by the claimant for three years. In calendar year 2008, of the \$5.5 million in angel investment credits that were available, a total of \$2.2 million was certified.

Under current law, the total amount of all early stage seed investment credits that may be claimed in a calendar year beginning after 2007 but before 2011 is \$6 million and the total amount that may be claimed in any calendar year beginning after 2010 is \$18.5 million plus an additional \$250,000 for investments in nanotechnology businesses. Under the bill, the total amount of all early stage seed investment credits that may be claimed in 2010 is \$8 million, and the total amount that may be claimed in any calendar year beginning after 2010 is \$20.5 million plus an additional \$250,000 for investments in nanotechnology businesses. Early stage seed investment credits may be claimed by individuals, corporations, and insurance companies. Investments must be held by the claimant for three years. In calendar year 2008, of the \$6.0 million in early stage seed investment credits that were available, a total of \$4.3 million was certified.

Fiscal Estimate

This fiscal estimate describes the effect of the provisions of the bill related to the post-secondary education credit, the angel investment credit, and the early stage seed tax credit.

Post-Secondary Education Tax Credit - Based on information from the University of Wisconsin System, the Wisconsin Technical College System and the U.S. Office of Management and Budget for federal fiscal year 2009, it is estimated that employers in Wisconsin provide approximately \$54.0 million annually in tuition support for employees in degree-granting programs. Based on information from the UW System Administration, approximately 17% of the 170,000 students in the UW System were eligible for Pell Grants in the 2006-07 academic year. If it is assumed that 1) the employer educational assistance currently provided to employees is for undergraduate study only, and 2) employer-provided educational assistance remains constant across income levels of the employees, then the proposed credit could result in credit claims of approximately \$2.3 million per year (\$54.0 million x 17% x 25%). If all of the assistance is provided for students who are enrolled in a course of instruction that relates to a projected worker shortage in the

state, then the proposed credit could result in credit claims of approximately \$2.8 million per year ($\$54.0 \text{ million} \times 17\% \times 30\%$). Based on Department data, approximately 75% of all credits claimed in a tax year are actually used to offset claimants' tax liability. Therefore, the fiscal effect would be to reduce revenues by an estimated \$430,000 to \$525,000 in fiscal year 2010 and an estimated \$1.7 million to \$2.1 million in fiscal years 2011 and after. However, to the extent that 1) data are not available to identify employer assistance by level of study or to determine whether the assistance is for coursework relating to a projected worker shortage, 2) the amount of employer-provided educational assistance varies by different academic and income levels of the employees, and 3) the percentage of students who are eligible for Pell Grants will fluctuate due to economic conditions, the fiscal estimate cannot be definitively determined.

Angel Investment Credit - Credit claims could increase under the bill by \$1 million in fiscal year 2011 and \$2 million in calendar year 2012 and thereafter until the aggregate cap of \$47.5 million for all years is reached. Based on a review of returns for taxpayers who claimed the angel investment credit, 90% of the amount claimed was used to offset tax liability. As such, the increased allowable amounts could reduce revenue by as much as \$900,000 ($\$1 \text{ million} \times 90\%$) in fiscal year 2011 and \$1.8 million ($\$2.0 \text{ million} \times 90\%$) in fiscal year 2012 and after until the aggregate cap of \$47.5 million for all years is reached.

Early Stage Seed Investment Credit - Credit claims could increase under the bill by \$2 million in fiscal year 2011 and thereafter. Based on a review of returns for taxpayers who claimed early stage seed credits in 2005, 95 percent of the amounts claimed were used in the year claimed to offset tax liability. As such, the increased aggregate allowable amounts for the early stage seed credit could reduce revenue by as much as \$1.9 million ($\$2.0 \text{ million} \times 95\%$) in fiscal year 2011 and after.

Long-Range Fiscal Implications

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By	Authorized Signature	Date

DOR/ Michael Oakleaf (608) 261-5173

Rebecca Boldt (608) 266-6785

12/8/2009

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<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS </div> <div> Affected Ch. 20 Appropriations </div> </div>		
Agency/Prepared By UWS/ Paige Rusch (608) 263-3307	Authorized Signature Freda Harris (608) 262-2734	Date 12/2/2009

Fiscal Estimate Narratives

UWS 12/2/2009

LRB Number	09-3617/4	Introduction Number	SB-409	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

The proposed legislation appropriates \$125,000 annually to the Board of Regents of the UW System to support a business plan competition program existing on the effective date of the bill at two-year and four-year schools, except UW-Madison, that makes entrepreneurial expertise available to students and that ties to campus based entrepreneurship. The bill also appropriates \$400,000 during the 2009-11 fiscal biennium to the Board of Regents to develop an emerging technology center at UW-La Crosse. The bill prohibits the Board of Regents from spending moneys under either appropriation unless it receives matching funds from private contributions. The fiscal effect of this bill would be at least \$525,000 of non-GPR funds. The actual costs to implement the business plan competition program and to develop the emerging technology center at the UW-La Crosse cannot be determined with the information provided.

Long-Range Fiscal Implications

There will be long term fiscal implications to the UW-System to maintain the emerging technology center at UW-La Crosse. These costs cannot be determined with the information provided.